

Message Text

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ORIGIN NEA-12

INFO OCT-01 EUR-25 ISO-00 EB-11 COME-00 TRSE-00 SPC-03

PM-07 L-03 NSC-10 CIAE-00 DODE-00 INR-10 NSAE-00

PA-03 RSC-01 USIA-15 PRS-01 OMB-01 AID-20 AGR-20 MC-02

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TO AMEMBASSY COLOMBO

AMEMBASSY NEW DELHI

INFO AMEMBASSY LONDON

C O N F I D E N T I A L STATE 194367

E.O. 11652: N/A

TAGS: PFOR, CE, US, UK

SUBJECT: UK-US EXCHANGE ON SRI LANKA

REF: COLOMBO 2370, LONDON 10883

1. DURING COURSE SEPTEMBER 25 SOUTH ASIA DISCUSSIONS WITH UK, CURRENT SITUATION IN SRI LANKA REVIEWED. BRITISH SAID THAT THEY WERE BECOMING INCREASINGLY PESSIMISTIC ABOUT SRI LANKA ECONOMIC PROSPECTS. DURING RECENT STAY IN LONDON, PM BANDARANAIKE SHOWED LITTLE INTEREST IN FOCUSING ON CURRENT DIFFICULTIES. BRITISH FEARED THAT IF CRISIS DEVELOPED IN WINTER, AS SEEMED POSSIBLE, SHE MIGHT SIMPLY THROW IN SPONGE; BRITISH WONDERED IF SHE WILLING TO STAY COURSE WHEN GOING GOT ROUGH. WE NOTED RECENT EVIDENCE OF GOVERNMENT ACTIVITY AND POSSIBLE ECONOMIC REFORM MEASURES
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AS SIGN SITUATION NOT SO BLEAK, BUT BRITISH RESPONDED THAT

PROPOSED AND LONG-OVERDUE ACTIONS PERHAPS TOO LATE TO RESOLVE SRI LANKA'S PROBLEMS.

2. ON QUESTION OF ECONOMIC ASSISTANCE, US SIDE NOTED DIFFICULTIES BECAUSE OF TIGHT FOOD SITUATION IN MAKING

GOOD ON PLEDGE AT AID CEYLON CONSORTIUM TO PROVIDE \$15-18 MILLION OF WHEAT FLOUR UNDER TITLE I OF PL 480. BRITISH INDICATED THAT THEY WERE FOLLOWING THROUGH ON ONE MILLION POUND AID PLEDGE WHICH HAD REQUIRED CONSIDERABLE BUREAUCRATIC EFFORT. BRITISH EMPHASIZED THAT FURTHER AID PLEDGE UNLIKELY BECAUSE OF SRI LANKA'S CONTINUING POOR ECONOMIC PERFORMANCE AND UNWILLINGNESS TO IMPLEMENT MEASURES URGED BY BANK/IMF AND BECAUSE OF DECREASING UK INTEREST IN SRI LANKA. BRITS NOTED THAT AS THEIR COMMERCIAL INTERESTS IN SRI LANKA DECLINES, IT WAS INCREASINGLY DIFFICULT TO JUSTIFY ASSISTANCE FOR COUNTRY WITH SUCH POOR ECONOMIC TRACK RECORD.

3. REGARDING CEYLON'S DESIRE TO ACQUIRE NAVAL VESSEL, BRITISH CONFIRMED THAT THEY HAD OFFERED TO SELL SRI LANKA FRIGATE HMS PUMA, BUT ONLY FOR HARD CASH. UNDER PRESENT CIRCUMSTANCES, THEY WERE UNWILLING TO OFFER CONCESSIONAL CREDITS. BRITS ADDED THEY HAD EXPLORED POSSIBILITY OF PROVIDING SMALL COASTAL PATROL VESSELS WHICH SEEMED FAR MORE USEFUL TO CEYLONESE, BUT WERE UNABLE TO COME UP WITH ANY.

4. WE SAID WE MIGHT OFFER TO PROVIDE DESTROYER-ESCORT, BUT ALSO ONLY FOR CASH. AS WE HOPED BRITISH WOULD TAKE LEAD IN PROVIDING MILITARY ITEMS TO CEYLON, WE HAD NOT YET ADVISED GSL OF AVAILABILITY OF SHIP. WE NOTED THAT SOVIETS WERE REPORTEDLY OFFERING VESSEL, BUT THAT WE WERE UNSURE HOW FIRM SOVIET OFFER WAS. BRITS SAID THAT THEY WERE ALSO UNCLEAR. WE ADDED OUR AGREEMENT TO BRITS THAT IN PRESENT FINANCIAL SITUATION SRI LANKA HARDLY NEEDED TO BE BUYING DESTROYER AND WOULD BE FAR BETTER OFF WITH COAST GUARD-TYPE VESSELS. THESE WE BELIEVED WOULD HAVE REAL VALUE IN ENHANCED EFFORT TO CURB TRAFFIC IN NARCOTICS.

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5. WE DID OUR BEST IN URGING CONTINUED BRITISH AID EFFORT IN SRI LANKA AS REQUESTED COLOMBO 2370 BUT WE DON'T THINK WE MADE MUCH HEADWAY. KISSINGER

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